



Dynamic Colours Limited
 Incorporated in the Republic of Singapore
 (Company registration no. 199304233Z)
 Half Year 2015 Financial Statement and Dividend Announcement for the period ended 30 June 2015

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1. Unaudited financial statements - 30 June 2015

1.(a)(i) Statement of Comprehensive Income (Group)

(An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.)

	Group		% Changes
	1H2015 US\$'000	1H2014 US\$'000	
Revenue	27,595	33,443	(17.5)
Cost of sales	(24,497)	(30,405)	(19.4)
Gross profit	3,098	3,038	2.0
Other income	239	299	(20.1)
Distribution expenses	(541)	(574)	(5.7)
Administrative expenses	(1,243)	(1,380)	(9.9)
Other operating expenses	(48)	(46)	4.3
Results from operating activities	1,505	1,337	12.6
Finance income	68	80	(15.0)
Finance costs	(218)	(109)	100.0
Net finance costs	(150)	(29)	417.2
Profit before income tax	1,355	1,308	3.6
Income tax expense	(148)	(171)	(13.5)
Profit for the period	1,207	1,137	6.2
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	6	(58)	N.M.
Total comprehensive income for the period	1,213	1,079	12.4
Profit attributable to:			
Owners of the company	1,212	1,133	7.0
Non-controlling interests	(5)	4	N.M.
Profit for the period	1,207	1,137	6.2
Total comprehensive income attributable to:			
Owners of the company	1,218	1,075	13.3
Non-controlling interests	(5)	4	N.M.
Total comprehensive income for the period	1,213	1,079	12.4

N.M: Not meaningful

1.(a)(ii) Notes to the Statement of Comprehensive Income (Group)

	Group		% Changes
	1H2015 US\$'000	1H2014 US\$'000	
Allowance for inventory obsolescence	(33)	(146)	(77.4)
Depreciation of property, plant and equipment	(864)	(668)	29.3
(Gain)/ loss on disposal of property, plant and equipment	46	(4)	N.M.
Amortisation of intangible assets	(3)	(4)	(24.3)
Amortisation of lease prepayments	(4)	(4)	0.0
Finance income :			
Interest income	68	80	(15.0)
	68	80	(15.0)
Finance costs :			
Term loans	(24)	(29)	(17.2)
Trust receipts	(56)	(50)	12.0
Foreign exchange loss	(138)	(30)	360.0
	(218)	(109)	100.0
Net finance costs	(150)	(29)	417.2
Income tax expense :			
Current tax expense	(139)	(161)	(13.7)
Deferred tax benefit/(expense)	5	(7)	N.M.
Under provision in prior years	(14)	(3)	366.7
	(148)	(171)	(13.5)

N.M: Not meaningful

1.(b)(i) **Statement of Financial Position (Group and Company)**

Statements of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30-Jun-15 US\$'000	31-Dec-14 US\$'000	30-Jun-15 US\$'000	31-Dec-14 US\$'000
Non-current assets				
Property, plant and equipment	18,846	17,757	-	-
Lease prepayments	300	304	-	-
Intangible assets	16	20	-	-
Subsidiaries	-	-	9,630	9,630
	19,162	18,081	9,630	9,630
Current assets				
Inventories	7,097	7,123	12	-
Trade and other receivables	9,670	11,622	18,081	19,756
Prepayments	178	1,529	38	4
Cash and cash equivalents	13,002	9,355	909	520
	29,947	29,629	19,040	20,280
Total assets	49,109	47,710	28,670	29,910
Equity				
Share capital	18,822	18,822	18,822	18,822
Other reserves	3,258	3,252	152	152
Retained earnings	8,019	9,143	45	2,640
Equity attributable to owners of the company	30,099	31,217	19,019	21,614
Non-controlling interest	124	129	-	-
Total equity	30,223	31,346	19,019	21,614
Non-current liabilities				
Deferred tax liabilities	669	601	-	-
	669	601	-	-
Current liabilities				
Trade and other payables	12,012	10,758	6,945	6,296
Interest bearing liabilities	6,040	4,838	2,706	2,000
Current tax payable	165	167	-	-
	18,217	15,763	9,651	8,296
Total liabilities	18,886	16,364	9,651	8,296
Total equity and liabilities	49,109	47,710	28,670	29,910

1.(b)(ii) **Aggregate amount of Group's Borrowings and Debt Securities**

Details of Group's liabilities	As at 30 June 2015			As at 31 December 2014		
	US\$'000 Secured	US\$'000 Unsecured	US\$'000 Total	US\$'000 Secured	US\$'000 Unsecured	US\$'000 Total
Amount repayable in one year or less, or on demand						
Interest bearing liabilities	1,834	4,206	6,040	1,338	3,500	4,838
Amount repayable after one year						
Interest bearing liabilities	-	-	-	-	-	-

Details of any collateral

The secured liabilities of US\$1,834,000 (2014: US\$1,338,000) was secured by a building owned by Suzhou Huiye Plastic Co., Ltd.

1.(c) **Statement of Cash Flows (Group)**

(Consolidated statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.)

	Group	
	1H2015 US\$'000	1H2014 US\$'000
Operating activities		
Profit for the period	1,207	1,137
Adjustments for:-		
Amortisation of intangible assets	3	4
Amortisation of lease prepayments	4	4
Depreciation of property, plant and equipment	864	668
(Gain)/loss on disposal of property, plant and equipment	(46)	4
Allowance for inventory obsolescence	33	146
Income tax expense	148	171
Interest expense	80	79
Interest income	(68)	(80)
Property, plant and equipment written off	133	-
	<u>2,358</u>	<u>2,133</u>
 Changes in working capital:		
Inventories	(7)	888
Trade and other receivables	1,953	164
Prepayments	1,350	(148)
Trade and other payables	465	(981)
Cash generated from operations	<u>6,119</u>	<u>2,056</u>
Income tax paid	(87)	(117)
Net cash from operating activities	<u>6,032</u>	<u>1,939</u>
 Investing activities		
Interest received	68	80
Proceeds from disposal of property, plant and equipment	-	13
Acquisition of property, plant and equipment	(2,039)	(582)
Net cash used in investing activities	<u>(1,971)</u>	<u>(489)</u>
 Financing activities		
Dividends paid	(2,336)	(3,356)
Interest paid	(80)	(79)
Proceeds from short term loans	5,373	1,000
Repayment of short term loans	(4,172)	(2,888)
Trust receipts	662	1,811
Net cash used in financing activities	<u>(553)</u>	<u>(3,512)</u>
 Net increase/(decrease) in cash and cash equivalents	<u>3,508</u>	<u>(2,062)</u>
Cash and cash equivalents at beginning of the period	9,281	11,626
Effect of exchange rate fluctuations on cash held	12	(41)
Cash and cash equivalents at end of the period	<u>12,801</u>	<u>9,523</u>
 Cash at bank and in hand	12,629	6,597
Fixed deposits with banks	373	3,005
Cash and cash equivalents in the statement of financial position	<u>13,002</u>	<u>9,602</u>
Deposits pledged by Huiye Polymer (M) Sdn. Bhd. for banker's guarantee	(201)	(79)
Cash and cash equivalents in the statement of cash flows	<u>12,801</u>	<u>9,523</u>

1.(d)(i) Statement of Changes in Equity (Group and Company)

A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital US\$'000	Currency translation reserve US\$'000	Statutory reserve US\$'000	Share-based payment reserve US\$'000	Retained earnings US\$'000	Total equity attributable to owners of the company US\$'000	Non- controlling interest US\$'000	Total equity US\$'000
Group								
At 1 January 2014	18,822	1,443	1,680	152	10,224	32,321	121	32,442
Total comprehensive income for the period								
Profit for the period	-	-	-	-	1,133	1,133	4	1,137
Other comprehensive income								
Foreign currency translation differences	-	(58)	-	-	-	(58)	-	(58)
Total comprehensive income for the period	-	(58)	-	-	1,133	1,075	4	1,079
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
One tier final dividend of S\$0.02 per share (FY2013 final dividend)	-	-	-	-	(3,356)	(3,356)	-	(3,356)
Total transactions with owners	-	-	-	-	(3,356)	(3,356)	-	(3,356)
At 30 June 2014	18,822	1,385	1,680	152	8,001	30,040	125	30,165
At 1 January 2015	18,822	1,420	1,680	152	9,143	31,217	129	31,346
Total comprehensive income for the period								
Profit for the period	-	-	-	-	1,212	1,212	(5)	1,207
Other comprehensive income								
Foreign currency translation differences	-	6	-	-	-	6	-	6
Total comprehensive income for the period	-	6	-	-	1,212	1,218	(5)	1,213
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
One tier final dividend of S\$0.015 per share (FY2014 final dividend)	-	-	-	-	(2,336)	(2,336)	-	(2,336)
Total transactions with owners	-	-	-	-	(2,336)	(2,336)	-	(2,336)
At 30 June 2015	18,822	1,426	1,680	152	8,019	30,099	124	30,223

Company	Share capital US\$'000	Share-based payment reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
At 1 January 2014	18,822	152	4,774	23,748
Total comprehensive income for the period				
Profit for the period	-	-	1,490	1,490
Total comprehensive income for the period	-	-	1,490	1,490
Transactions with owners, recognised directly in equity				
Contributions by and distributions to owners				
One tier final dividend of S\$0.02 per share (FY2013 final dividend)	-	-	(3,356)	(3,356)
Total transactions with owners	-	-	(3,356)	(3,356)
At 30 June 2014	18,822	152	2,908	21,882
At 1 January 2015	18,822	152	2,640	21,614
Total comprehensive income for the period				
Loss for the period	-	-	(259)	(259)
Total comprehensive income for the period	-	-	(259)	(259)
Transactions with owners, recognised directly in equity				
Contributions by and distributions to owners				
One tier final dividend of S\$0.015 per share (FY2014 final dividend)	-	-	(2,336)	(2,336)
Total transactions with owners	-	-	(2,336)	(2,336)
At 30 June 2015	18,822	152	45	19,019

1.(d)(ii) Share Capital

(Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.)

There is no change in the Company's share capital for the financial year ended 31 December 2014 and period ended 30 June 2015.

1.(d)(iii) Number of Issued Shares excluding Treasury Shares

(The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.)

Total number of issued shares as at the end of the current financial period (30 June 2015): 209,971,310

Total number of issued shares as at the end of the immediately preceding financial year (31 December 2014): 209,971,310

1.(d)(iv) Sales, Transfers, Disposals, Cancellations and/or use of Treasury Shares

(A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on .)

Not applicable.

2. Audit - Whether figures have been audited or reviewed

(Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.)

The financial information have not been audited or reviewed by the Company's auditors.

3. Auditors' report (if audited)

(Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter.)

Not applicable.

4. Accounting Policies

(Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.)

Other than the adoption of the new and revised Financial Reporting Standards (FRS) as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements for the year ended 31 December 2014.

5 Changes in accounting policies

(If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.)

In the current financial period, the Group and the Company have adopted all the new and revised Financial Reporting Standards (FRSs) and Interpretations of FRSs (INT FRSs) that are relevant to its operations and effective for annual periods beginning on 1 January 2015. The adoption of these new/revised FRSs and INT FRSs does not result in substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior periods.

6. Earnings per ordinary share

(Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.)

	Group	
	1H2015	1H2014
Earnings for the year (US\$'000)	1,212	1,133
Number of ordinary shares ('000)		
As at 1 January	209,971	209,971
Issued during the year	-	-
As at 30 June	209,971	209,971
Earnings per ordinary share (US\$) :		
(a) Based on weighted average number of ordinary shares on issue (cents)	0.58	0.54
(b) On a fully diluted basis (cents)	0.58	0.54
Earnings per ordinary share (S\$ equivalent) *:		
(a) Based on weighted average number of ordinary shares on issue (cents)	0.78	0.67
(b) On a fully diluted basis (cents)	0.78	0.67

* S\$ equivalent, based on US\$1 = S\$1.349 (2014: US\$1 = S\$1.249)

The diluted earnings per share is the same as basic earnings per share as the Company does not have any dilutive potential ordinary shares.

7. Net asset value per ordinary share

(Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

- (a) current financial period reported on; and
- (b) immediately preceding financial year.)

	Group		Company	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
Net assets (US\$'000)	30,099	31,217	19,019	21,614
Number of ordinary shares ('000)	209,971	209,971	209,971	209,971
Net asset value per share :				
- in US cents	14.33	14.87	9.06	10.29
- in Singapore cents *	19.33	19.39	12.22	13.42

* S\$ equivalent, based on US\$1 = S\$1.349 (2014: US\$1 = S\$1.304)

8. Review of performance of the Group

(A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.)

Half year period ended 30 June 2015 ("1H2015") compared to the half year period ended 30 June 2014 ("1H2014")
(all the figures are in US\$)

Overview of Group's business

The core businesses of Dynamic Colours Group ("the Group") are resin compounding, polyethylene packaging and injection moulding. Currently, our resin compounding ("RC") segment comprises our wholly owned subsidiaries in Suzhou, Vietnam and Malaysia, namely, Suzhou Huiye Plastic ("SHP"), Suzhou Huiye Chemical ("SHC"), Huiye Vietnam Plastic ("HVP") and Huiye Polymer Malaysia ("HPM"). Our polyethylene packaging ("PP") segment is represented by S.L. Packaging ("SLP") in Singapore and HPM in Malaysia. The Group's injection moulding ("IM") business is carried out in Vietnam by way of DC's 80% stake in DCQ Plastic Industry Company Limited ("DCQ").

In 1H2015, our RC segment accounted for 57.4% of the total Group's revenue (1H2014: 60.8%), 36.2% (1H2014: 32.3%) was contributed by the PP segment while the balance of 6.4% (1H2014: 6.9%) came from IM segment.

Statement of Comprehensive Income

Group revenue decreased by US\$5.848 million or 17.5% from US\$33.443 million in 1H2014 to US\$27.595 million in 1H2015. Revenue for RC segment declined by 22.2%, from US\$20.336 million to US\$15.827 million. The lower revenue is mainly due to a decrease in RC production tonnage by 10.5% and a decrease by 13.1% in average RC selling price. The PP segment revenue decreased by 7.5% from US\$10.804 million to US\$9.990 million as a result of a decrease in selling price by 9.9% while the increase in production tonnage was marginal. The IM segment revenue decreased by 22.8% from US\$2.303 million in 1H2014 to US\$1.778 million in 1H2015 due to reduction in production volume by 18.5% and a decline in average selling price by 5.3%.

Cost of sales fell by 19.4% to US\$24.497 million in 1H2015 from US\$30.405 million in 1H2014, resulting in a gross profit margin of 11.2% in 1H2015 versus 9.1% in 1H2014.

Other income decreased from US\$299K in 1H2014 to US\$239K in 1H2015 as the result of the decrease in rental income and Singapore government grants.

Distribution expenses decreased by 5.7% from US\$0.574 million to US\$0.541 million mainly due to lower freight costs in China as a result of RC's lower sales volume but offset by PP's higher transportation and clearance costs.

Administrative expenses declined from US\$1.380 million in 1H2014 to US\$1.243 million in 1H2015. This is largely due to decrease in staff costs.

Finance income, consisting of interest income, decreased from US\$80K to US\$68K as the average interest rate of fixed deposits with banks was reduced in 1H2015. Finance costs rose from US\$109K to US\$218K primarily due to the increase in foreign exchange losses relating to the settlement of the payables for the purchase of machinery. The other finance cost component, interest expense climbed marginally from US\$79K to US\$80K.

As a result of the above, the Group's profit in 1H2015 increased by 6.2% from US\$1.137 million in 1H2014 to US\$1.207 million.

Statement of Financial Position

The increase in property, plant and equipment was mainly due to the acquisition of machineries in Malaysia and Vietnam and offset by the increase in depreciation charges for the year.

The value of inventories decreased marginally by US\$0.026 million owing to the combined effect of higher quantities but lower purchase prices.

The decrease in trade and other receivables by US\$1.952 million was in line with lower sales recorded towards the end of 1H2015.

The increase in trade and other payables was largely due to the increase in financing through trust receipts and an increase in non-trade payables.

Interest bearing liabilities increased from US\$4.838 million to US\$6.040 million due to an increase in short term bridging loans for working capital purposes.

Statement of Cash Flows

Cash and cash equivalents increased by US\$3.520 million, from US\$9.281 million to US\$12.801 million.

The Group achieved a positive cash flow from its operating activities of US\$6.032 million compared with a net profit of US\$1.207 million. The excess of cash over profit resulted mainly from non-cash items like depreciation and property, plant and equipment written off, coupled with decrease in receivables and prepayments and increase in payables.

Cash outflows of US\$1.971 million in investing activities are attributed largely to the purchases of machinery in Malaysia and Vietnam.

Cash outflows of US\$0.553 million in financing activities are due mainly to dividend payment and repayments of short term loans and offset by proceeds from short term loans and increase in trust receipts.

Liquidity and Capital Resources

As at 30 June 2015, the Group's net current assets was US\$11.730 million (31 December 2014: US\$13.866 million), with a current ratio of 1.64 as compared to 1.88 as at 31 December 2014.

The net working capital cycle shortened to 40 days as at 30 June 2015 from 49 days as at 31 December 2014 due to the following factors:

- (i) Inventories, in terms of stock turnover days, increased to 46 days (31 December 2014 : 43 days)
- (ii) Trade receivables, in terms of debtors turnover days, decreased to 54 days (31 December 2014: 63 days).
- (iii) Trade payables, in terms of creditors turnover days, increased to 60 days (31 December 2014: 57 days).

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**
No forecast or prospect statement has been previously disclosed to shareholders.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Uncertainties about the oil price trend persist and currency markets remain volatile. In spite of these challenges, we will endeavour to maintain PP and RC activities at their current production levels into the second half of the year.

The Group completed the sale of its polyethylene packaging (PP) factory premises at Yishun, Singapore on 30 July 2015 as announced to shareholders on 30 July 2015. No loss in revenue has resulted from the closure of the Singapore plant as the Singapore production activities have been transferred to the more cost efficient plant at Senai, Malaysia in Q1 2015. Moreover, this transfer contributes to an increase in the gross profit margin of the Group's PP business.

The sale of the property in 2H2015 has further boosted the already strong financial resources of the Group. The capital gain on the sale of the Yishun property will be recognized in 2H2015. The Group is now very well placed to tap into new business opportunities.

On 12 August 2015, the Company announced that the business operations of its subsidiary, DCQ Plastic Industry Co., Ltd. ("DCQ") has ceased in July 2015. DCQ is a joint venture company set up in November 2012 where 80% of shareholding is held by the Company and the balance is held by Mr Qian Jian Quan (the "JV"), for the purpose of expansion into injection moulding business (the "IM business") in Vietnam.

The injection moulding business ("IM business") in Vietnam declined in profitability for the past 2 years and incurred marginal loss in 1H2015. The Board believes that the business will continue to be challenging under present and foreseeable future market conditions.

As such after taking into consideration the factors above, the JV partners have mutually agreed to cease the business operations of DCQ and proceed with a voluntary winding up of DCQ.

11. **Dividends**

a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Interim dividends 1H2015 (Recommended)

Name of Dividend	Interim Dividend 2015
Dividend Type	Ordinary
Dividend Amount per Share	S\$0.0075 per share
Par Value of Shares	N.A.
Tax Rate	Tax exempt (1 tier)
Date Declared/Announced	Announced on 12 Aug 2015
Books Closure Date	16 Sep 2015
Date to be paid	25 Sep 2015
Amount to be paid in Singapore dollars	S\$1.57 million
Amount in US\$ (for accounting purposes)	It will be confirmed only at payment date

b) Corresponding Period of the immediately Preceding Financial Year

Nil.

c) Date Payable

25 Sep 2015

d) Books Closure Date

16 Sep 2015

12. **If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

13. **Interested Person Transactions**

(If the Group has obtained a general mandate from shareholders for the IPTs, the aggregate value of such transactions as required under Rule 920 (1) (a) (ii). If no IPT mandate has been obtained, a statement to that effect.)

There is no general mandate from shareholders. The value of the IPT is below the threshold prescribed under Part III of Chapter 9 of Listing Manual.

14. **Negative assurance confirmation on interim financial results pursuant to Rule 705(5) of the Listing Manual**

We, the undersigned, hereby confirm to the best of our knowledge that, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the half year ended 30 June 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Yeo Hock Leng
Executive Chairman and Group Managing Director

Goh Seok Eng
Deputy Group Managing Director and Technical Director

BY ORDER OF THE BOARD

Yeo Hock Leng
Executive Chairman and Group Managing Director
12 August 2015